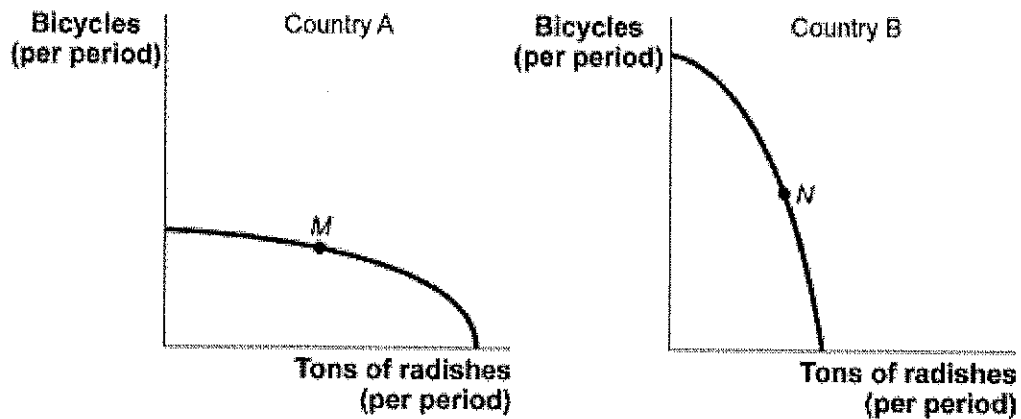


Module 4 HW**Multiple Choice**

Identify the choice that best completes the statement or answers the question.

- _____ 1. “Lena and Jess are roommates. Lena hates to clean the bathroom. Jess will only agree to clean the bathroom if Lena vacuums the living room.” This statement best represents the economic concept of:
- A. the real cost of something is what you must give up to get it.
 - B. “how much?” is a decision at the margin.
 - C. people usually exploit opportunities to make themselves better off.
 - D. there are gains from trade.
 - E. when markets don’t achieve efficiency, government intervention can improve society’s welfare.
- _____ 2. “Nate and Dylan are brothers. They have to mow the lawn and clean their rooms before they can go to the high school football game. Nate mows the lawn and Dylan picks up the rooms and they make it to the football game on time.” This statement best represents the economic concept of:
- A. people usually exploit opportunities to make themselves better off.
 - B. there are gains from trade.
 - C. markets usually lead to efficiency.
 - D. one person's spending is another person's income.
 - E. “how much” is a decision at the margin.
- _____ 3. Which book illustrates the advantages of specialization using an eighteenth-century pin factory?
- A. *Free to Choose* by Milton Friedman.
 - B. *The Wealth of Nations* by Adam Smith.
 - C. *Das Kapital* by Karl Marx.
 - D. *The General Theory* by John Maynard Keynes.
 - E. *The Audacity of Hope* by Barack Obama.
- _____ 4. The phrase “gains from trade” refers to the:
- A. profits obtained from sales of a good or service.
 - B. increase in total output that is realized when individuals specialize in particular tasks and trade with each other.
 - C. gains that one obtains by taking advantage of an uninformed buyer and selling at a higher than average price.
 - D. gains that one obtains by taking advantage of a temporary discount or “sale” price.
 - E. higher profits a company enjoys during the busy holiday shopping season.
- _____ 5. With trade, a country may:
- A. consume outside its production possibility curve.
 - B. consume inside its production possibility curve.
 - C. find that its production possibility curve will shift outward.
 - D. avoid opportunity costs.
 - E. produce outside its production possibility curve.

Figure 4-1: Bicycles and Radishes I



6. Use “Bicycles and Radishes I” Figure 4-1. The figure shows production possibility curve for two countries that produce only radishes and bicycles. The axes of both graphs are measured in equivalent units. Country A is now operating at point *M*, and Country B is now operating at point *N*. The opportunity cost of producing an additional ton of radishes would be:
- A. greater in Country A than in Country B.
 - B. greater in Country B than in Country A.
 - C. the same in both countries.
 - D. greater at point *M* than at point *N*.
 - E. zero for either country if the country was operating on the production possibility curve.

	Coffee	Salmon
Brazil	40	20
Alaska	10	10

Table 4-1: Coffee and Salmon Production Possibilities

7. Use **Table 4-1**. The table shows the maximum amounts of coffee and salmon that Brazil and Alaska can produce if they just produce one good. The opportunity cost of producing 1 unit of salmon for Alaska is:
- A. 2 coffees.
 - B. 1/4 coffee.
 - C. 10 coffee.
 - D. 1/2 coffee.
 - E. 1 coffee.
8. Economists generally believe that a country should specialize in the production of a good or service if:
- A. the production possibility curve is larger than that of any other country.
 - B. the production possibility curve is smaller than that of any other country.
 - C. the country can produce the product using fewer resources than any other country.
 - D. the country can produce more of all goods than any other country.
 - E. the country can produce the product while forgoing fewer alternative products than any other country.

- _____ 9. An economy that has the lowest opportunity cost for producing a particular good is said to have a(n):
- absolute advantage.
 - comparative advantage.
 - production possibility curve.
 - increasing opportunity cost.
 - free trade zone.
- _____ 10. If the opportunity cost of manufacturing machinery is higher in the United States than in Britain and the opportunity cost of manufacturing sweaters is lower in the United States than in Britain, then the United States will:
- export both sweaters and machinery to Britain.
 - import both sweaters and machinery from Britain.
 - export sweaters to Britain and import machinery from Britain.
 - import sweaters from Britain and export machinery to Britain.
 - neither import, nor export goods with Britain.
- _____ 11. If countries engage in international trade:
- they give up the ability to specialize in production.
 - worldwide levels of production are lower.
 - the world will be operating inside its production possibility curve.
 - the world will be operating outside its production possibility curve.
 - global economic growth will slow down.

Sweden and Finland produce only two goods, herring and cell phones, and this table shows the maximum amount that each nation can produce of the two goods.

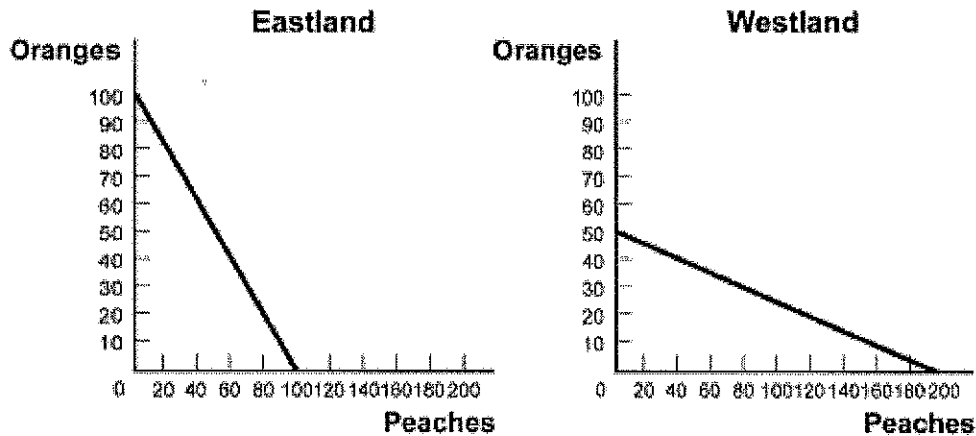
	<i>Sweden</i>	<i>Finland</i>
Herring	100,000	50,000
Cell phones	10,000	10,000

Table 4-3: Comparative Advantage I

- _____ 12. Use **Table 4-3**. Sweden has an absolute advantage in producing:
- cell phones only.
 - a combination of cell phones and herring.
 - both cell phones and herring.
 - neither cell phones nor herring.
 - herring only.
- _____ 13. Use **Table 4-3**. The opportunity cost of producing 1 unit of herring for Sweden is:
- 10 units of cell phones.
 - 1/5 unit of cell phones.
 - 5 units of cell phones.
 - 1/10 unit of cell phones.
 - 10 units of herring.

Figure 4-2: Comparative Advantage

Eastland and Westland produce only two goods, peaches and oranges, and this figure shows each nation's production possibility curve for the two goods.



- _____ 14. Use the “Comparative Advantage” Figure 4-2. Westland has an absolute advantage in producing:
- oranges only.
 - a combination of oranges and peaches.
 - both oranges and peaches.
 - neither oranges or peaches.
 - peaches only.
- _____ 15. In one day, Kessy can bake 10 cookies or mix 15 glasses of lemonade. His friend, Ava, can make 10 cookies or 10 glasses of lemonade. His other friend, Ian, can make 10 cookies or 20 glasses of lemonade. Who has the lowest opportunity cost in cookie production?
- Kessy
 - Ava
 - Ian
 - Kessy and Ava both have the lowest opportunity cost in cookie production.
 - Kessy, Ian, and Ava all have the same opportunity cost in cookie production.
- _____ 16. Mark and Julie are going to sell brownies and cookies for their third annual bake sale fund-raiser. In one day, Mark can make 40 brownies or 20 cookies and Julie can make 15 brownies or 15 cookies. What is Mark's opportunity cost to produce one brownie?
- 1 cookie
 - 1 brownie
 - 1/2 cookie
 - 1/2 brownie
 - 15 cookies

- _____ 17. If the opportunity cost of manufacturing automobiles is higher in the United States than in Britain and the opportunity cost of manufacturing airplanes is lower in the United States than in Britain, then the United States will:
- A. export both airplanes and automobiles to Britain.
 - B. import both airplanes and automobiles from Britain.
 - C. export airplanes to Britain and import automobiles from Britain.
 - D. import airplanes from Britain and export automobiles to Britain.
 - E. neither import nor export goods to Britain.
- _____ 18. Economists are generally in support of:
- A. government restrictions on trade.
 - B. free international trade.
 - C. tariffs to restrict trade.
 - D. subsidizing exports.
 - E. import quotas to protect domestic producers.

Scenario 4-1: Countries A and B

Two countries, A and B, currently produce two goods, wheat (W) and steel (S). They each have a linear production possibility frontier in both goods. For Country A, if it spends all of its available resources to produce wheat, it can produce 500 units of wheat and zero units of steel. If it uses all of its resources to produce steel it can produce 250 units of steel and zero units of wheat. For Country B, if it spends all of its available resources producing wheat, it can produce 400 units of wheat, and if it spends all of its resources on the production of steel, it can produce 400 units of steel.

- _____ 19. Use **Scenario 4-1**. If Country B produces 300 units of steel, how much wheat can it produce?
- A. 100 units
 - B. 200 units
 - C. 300 units
 - D. 400 units
 - E. zero units
- _____ 20. In a single growing season, the country of Pastoral can raise 100 tons of beef or produce 1,000 boxes of tulips. In the same growing season, the country of Bucolic can raise 50 tons of beef or produce 750 boxes of tulips. Without trade, the price of one ton of beef in Pastoral is:
- A. 100 tons of beef.
 - B. 1,000 boxes of tulips.
 - C. 10 boxes of tulips.
 - D. 1/10 box of tulips.
 - E. 15 boxes of tulips.

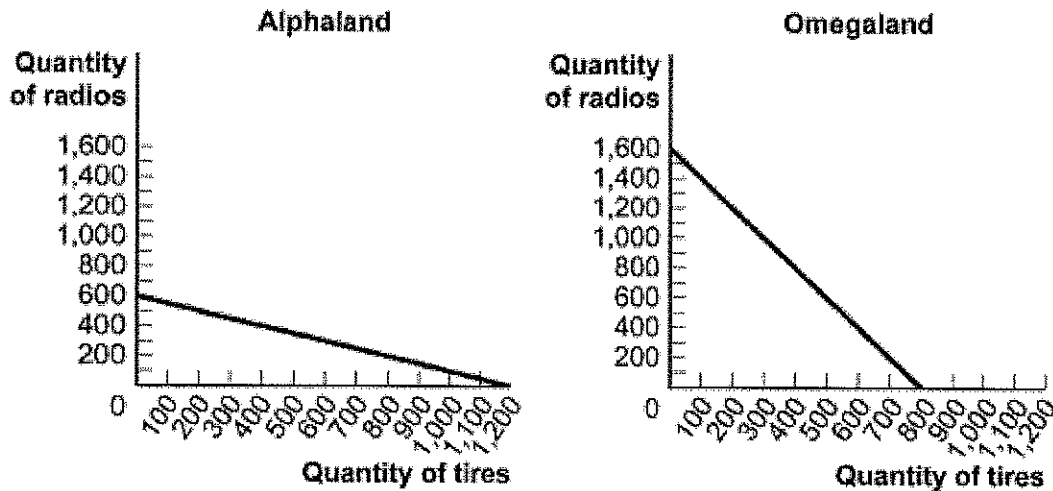
The table shows the maximum amounts of machinery and petroleum that the United States and Mexico can produce if they only produce one good. Both nations face constant costs of production.

Countries	Machinery (units)	Petroleum (units)
United States	80	40
Mexico	60	180

Table 4-5: Production Possibilities for Machinery and Petroleum

21. Use **Table 4-5**. Which of the following is true?
- A. The opportunity cost of petroleum is less in the United States than in Mexico.
 - B. The opportunity cost of petroleum is more in the United States than in Mexico.
 - C. Petroleum costs are the same in the United States and in Mexico.
 - D. Machinery costs are the same in the United States and in Mexico.
 - E. The opportunity cost of machinery is less in Mexico than in the United States.
22. Use **Table 4-5**. Which of the following is true?
- A. The opportunity cost of machinery is more in the United States than in Mexico.
 - B. Machinery costs are the same in the United States and in Mexico.
 - C. The opportunity cost of machinery is less in the United States than in Mexico.
 - D. The opportunity cost of petroleum is less in the United States than in Mexico.
 - E. Petroleum costs are the same in the United States and in Mexico.

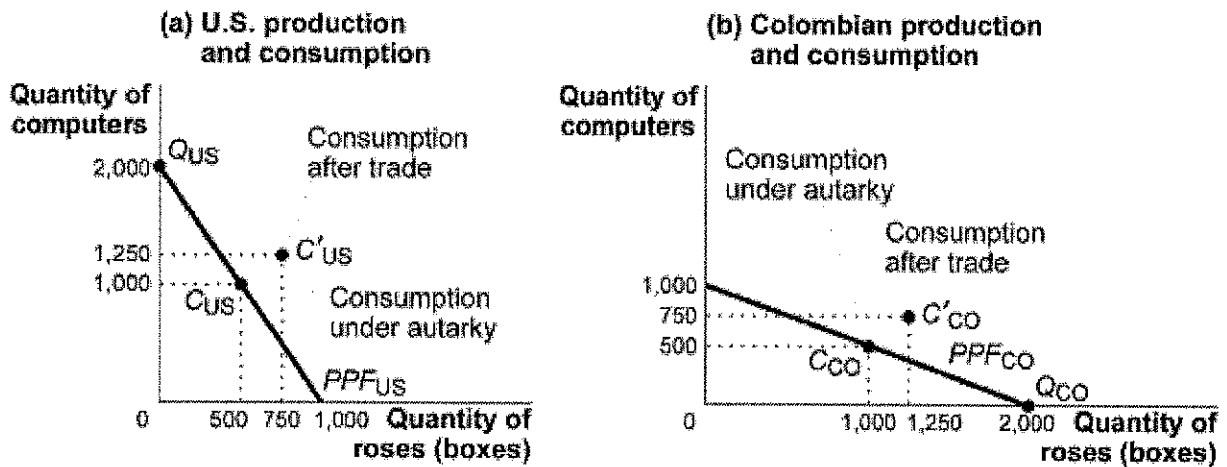
Figure 4-4: Alphaland and Omegaland



23. Use the "Alphaland and Omegaland" Figure 4-4. Both nations will gain from trade when 1 tire trades for:
- A. 1/3 radio.
 - B. 1/2 radio.
 - C. 1 1/2 radios.
 - D. 2 radios.
 - E. 2 1/2 radios

- _____ 24. Use the “Alphaland and Omegaland” Figure 4-4. Trade will *not* take place if 1 radio trades for:
- 1/2 tire.
 - 1 tire.
 - 1 1/2 tires.
 - 1.75 tires.
 - 3 tires.
- _____ 25. Taken collectively, people in nations that engage in international trade are not likely to:
- consume more than they were able to consume in the absence of trade.
 - raise their standards of living.
 - gain from lower opportunity costs of production.
 - be made worse off.
 - achieve faster rates of economic growth.

Figure 4-6: The Gains from International Trade



- _____ 26. Use the “The Gains from International Trade” Figure 4-6. In the figure, each country must trade _____ to consume combination C’.
- 1 computer for 1/2 box of roses
 - 2 computers for 1 box of roses
 - 1/2 computer for 1 box of roses
 - 1 computer for 1 box of roses
 - 1 computer for 1 1/2 boxes of roses.
- _____ 27. A tariff imposed on Japanese imports into the United States tends to:
- penalize U.S. producers and benefit Japanese producers.
 - benefit U.S. producers and penalize Japanese producers.
 - penalize both U.S. and Japanese producers.
 - benefit both U.S. and Japanese producers.
 - benefit U.S. consumers and penalize Japanese producers.

Name: _____

ID: A

- _____ 28. If a country removes a tariff on imported shoes, we expect the domestic price of shoes to _____ and the quantity of shoes consumed in the domestic market to _____.
- A. fall; fall
 - B. fall; rise
 - C. rise; fall
 - D. rise; rise
 - E. fall; be unaffected

Scenario 4-2: Production of Wheat and Toys

Below is information regarding Countries A and B's production of two goods, wheat and toys.

	Wheat	Toys
Country A	50	100
Country B	25	75

Each country has a linear production possibility curve with respect to their production of the two goods. The totals in each column represent the total number of units each country could produce if it used all of its resources to produce the good.

- _____ 29. Use **Scenario 4-2**. If each country specializes in the good for which it has the comparative advantage, then the price of wheat in terms of toys will be:
- A. between 2 units of toys and $\frac{1}{3}$ units of toys.
 - B. between $\frac{1}{2}$ unit of toys and 3 units of toys.
 - C. 3 units of toys.
 - D. between $\frac{1}{3}$ unit of toys and $\frac{1}{2}$ units of toys.
 - E. between 2 units of toys and 3 units of toys.

Module 4 HW
Answer Section

MULTIPLE CHOICE

- | | | | | |
|-----|--------------------------|--------|--------|---------------|
| 1. | ANS: D | PTS: 1 | DIF: M | REF: Module 4 |
| | SKL: Critical Thinking | | | |
| 2. | ANS: B | PTS: 1 | DIF: M | REF: Module 4 |
| | SKL: Critical Thinking | | | |
| 3. | ANS: B | PTS: 1 | DIF: M | REF: Module 4 |
| | SKL: Fact-Based | | | |
| 4. | ANS: B | PTS: 1 | DIF: M | REF: Module 4 |
| | SKL: Concept-Based | | | |
| 5. | ANS: A | PTS: 1 | DIF: M | REF: Module 4 |
| | SKL: Fact-Based | | | |
| 6. | ANS: B | PTS: 1 | DIF: D | REF: Module 4 |
| | SKL: Analytical Thinking | | | |
| 7. | ANS: E | PTS: 1 | DIF: M | REF: Module 4 |
| | SKL: Critical Thinking | | | |
| 8. | ANS: E | PTS: 1 | DIF: M | REF: Module 4 |
| | SKL: Concept-Based | | | |
| 9. | ANS: B | PTS: 1 | DIF: E | REF: Module 4 |
| | SKL: Definitional | | | |
| 10. | ANS: C | PTS: 1 | DIF: M | REF: Module 4 |
| | SKL: Critical Thinking | | | |
| 11. | ANS: D | PTS: 1 | DIF: M | REF: Module 4 |
| | SKL: Concept-Based | | | |
| 12. | ANS: E | PTS: 1 | DIF: M | REF: Module 4 |
| | SKL: Critical Thinking | | | |
| 13. | ANS: D | PTS: 1 | DIF: M | REF: Module 4 |
| | SKL: Critical Thinking | | | |
| 14. | ANS: E | PTS: 1 | DIF: M | REF: Module 4 |
| | SKL: Critical Thinking | | | |
| 15. | ANS: B | PTS: 1 | DIF: D | REF: Module 4 |
| | SKL: Analytical Thinking | | | |
| 16. | ANS: C | PTS: 1 | DIF: M | REF: Module 4 |
| | SKL: Critical Thinking | | | |
| 17. | ANS: C | PTS: 1 | DIF: M | REF: Module 4 |
| | SKL: Concept-Based | | | |
| 18. | ANS: B | PTS: 1 | DIF: E | REF: Module 4 |
| | SKL: Analytical Thinking | | | |
| 19. | ANS: A | PTS: 1 | DIF: M | REF: Module 4 |
| | SKL: Analytical Thinking | | | |
| 20. | ANS: C | PTS: 1 | DIF: D | REF: Module 4 |
| | SKL: Critical Thinking | | | |

- | | | | | |
|-----|--------------------------|--------|--------|---------------|
| 21. | ANS: B | PTS: 1 | DIF: M | REF: Module 4 |
| | SKL: Critical Thinking | | | |
| 22. | ANS: C | PTS: 1 | DIF: M | REF: Module 4 |
| | SKL: Critical Thinking | | | |
| 23. | ANS: C | PTS: 1 | DIF: M | REF: Module 4 |
| | SKL: Analytical Thinking | | | |
| 24. | ANS: A | PTS: 1 | DIF: M | REF: Module 4 |
| | SKL: Analytical Thinking | | | |
| 25. | ANS: D | PTS: 1 | DIF: M | REF: Module 4 |
| | SKL: Fact-Based | | | |
| 26. | ANS: D | PTS: 1 | DIF: D | REF: Module 4 |
| | SKL: Analytical Thinking | | | |
| 27. | ANS: B | PTS: 1 | DIF: M | REF: Module 4 |
| | SKL: Concept-Based | | | |
| 28. | ANS: C | PTS: 1 | DIF: M | REF: Module 4 |
| | SKL: Critical Thinking | | | |
| 29. | ANS: E | PTS: 1 | DIF: M | REF: Module 4 |
| | SKL: Critical Thinking | | | |